MINISTRY OF
AGRICULTURE, FISHERIES AND FOOD

ECONOMIC SERIES No. 52

SOME PROBLEMS OF

Horticultural Co-operative Marketing

IN ENGLAND AND WALES

Report of a Departmental Working Party

LONDON
HER MAJESTY'S STATIONERY OFFICE
1961

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FOREWORD

TO THE RIGHT HON. CHRISTOPHER SOAMES, C.B.E., M.P.
Minister of Agriculture, Fisheries and Food,
from the Chairman of the Departmental Working Party,
Earl Waldegrave, Joint Parliamentary Secretary.

Your predecessor, Mr. John Hare, appointed Mr. Joseph Godber, then Parliamentary Secretary in this Department, as Chairman of a Departmental Working Party, with instructions "to consider and report on the methods and forms of association between horticultural co-operative marketing societies and their members, and whether these might be modified so as to give the societies more stability and continuity in their supplies of produce".

Having succeeded Mr. Godber as Chairman of the Working Party, when its work was already nearly completed, I now submit the report to you. A summary of the conclusions is given in Section VI. The Working Party held nineteen meetings and made a number of visits. It has received evidence and help in various other ways from the persons and bodies referred to in Appendix A. On behalf of the Working Party I should like to express its appreciation of this assistance.

WALDEGRAVE

10*th January*, 1961.

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I. INTRODUCTION

1. When the Horticulture Bill (now the Horticulture Act, 1960) was being discussed in Standing Committee during its passage through the House of Commons, some members urged that legislation should be introduced to enable horticultural co-operative marketing societies to recover penal damages from any of their members who fail to deliver produce in accordance with the terms of their contracts with their societies. The Government spokesmen explained why they could not accept this proposal, but the Minister of Agriculture, Fisheries and Food, the Rt. Hon. John Hare, undertook to appoint a Working Party to examine and report on this and other questions bearing on the success or lack of success of such societies. The composition of the Working Party is set out in Appendix A. The results of their investigations are given in the following paragraphs.

2. There are at present between 20 and 25 sizeable horticultural marketing co-operatives, particulars of which are given in Appendix B. They handle between 4 and 5 per cent of the total of home-produced horticultural produce. The basis on which they enjoy Government support (*e.g.* under the Horticulture Act, 1960) is primarily that co-operation is a valuable means by which growers collectively are enabled to do a good many things which they are too small to do individually. Examples are the offering to the market of consignments of sufficient size by the bulking of the offerings of the individual, and the preparation of produce for market by means of modern and large-scale equipment. Once organised in co-operatives the growers may then proceed to other functions which private traders do not usually reckon to provide, such as grading. One of the normal functions of private trade is to discourage low quality or ill-assorted produce by offering low prices: but the more positive function of organising grading in advance falls primarily to growers' co-operatives and other producers' organisations. This indirectly benefits the private traders, as many of them are aware.

3. A description of the origins and development of many of the existing horticultural marketing co-operatives in this country is given in "The Co-operative Marketing of Horticultural Produce in England and Wales" by Dr. L. G. Bennett (1948, Ministry of Agriculture and Fisheries Economic Series No. 49). There are two main types of society. The Runciman Committee, who gave an analysis of co-operation in their report (Cmnd. 61, paragraphs 356 to 378) designated these respectively as "trading" and "non-trading" co-operatives. The former deal with the produce of all their members as if it were the output of a single holding, bulking, grading, packing and selling the crop (usually top fruit) as a unit and pooling receipts according to grade and type supplied. The latter handle a greater variety of more perishable and often cheaper produce, and typically arrange for collection, assembly and disposal through normal wholesale channels or to processors. They seldom grade centrally or pool receipts (services which would often be too costly for the goods to bear) but aim to put their specialised knowledge of the market and their physical facilities

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at the service of members as cbeaply as possible. Typically, but not in every case, the "trading" type tend to be registered under tbe Companies Act; and to have a high individual share contribution, a small, specialist membership, contracts with members for the supply of all or a stated part of their output, and a higb degree of observance of those contracts. The general produce societies, in contrast to this, are usually registered under tbe Industrial and Provident Societies Act, 1893; bave a low capital investment and shareholding per member and a large and diffuse membership; do not typically require any binding guarantee of supply, except in fulfilment of contracts made by tbemselves with customers such as processors or retail stores; and may be regarded by many members as an alternative to the commission salesmen or country mercbants ratber than as organisations with a unique call on their support.

4. In the case of the "trading" co-operative, the benefits of standardisation and regular marketing to grower, trader and consumer are obvious and could not be provided in any other way, save by multiplying grading and storage equipment on individual boldings, if tbe grower is to be beld responsible for the presentation of his produce. Co-operatives of the "non-trading" type, while they may well do some classification of members' produce and educate them in the needs of tbe market, have as their main economic function that of belping to create a better market by bringing large quantities of produce together from a number of small and irregular suppliers, and directing them to the most rewarding outlets. The Runciman Report dealt thoroughly with tbe complex marketing structure within which such growers' organisations must operate—the primary stage of assembly in bulk, or import; tbe wbolesale clearing markets where prices are formed and surpluses redistributed; the secondary wbolesaler drawing in home-grown and imported produce for the needs of the local sbops. It explained bow speedy and effective distribution might result from one, two or a large number of intermediate transactions, and the great variety of functions that any one type of trader migbt undertake. In such circumstances it is not surprising that co-operatives, like individual growers, may be found selling to local, central and distant markets; by auction, private treaty or contract; through commission salesmen or direct; to processors and the pre-packing trade and retailers, as well as to primary and secondary wbolesalers.

5. Even though the marketing functions of the co-operative may not be strongly distinguished from those of the individual grower or wholesale trader, its constitutional position is totally different. Co-operative associations are bodies instituted not for the purpose of exercising functions on their own account, and certainly not for the primary purpose of making profits, but to provide some service or amenity to tbe members on a mutual basis. In most countries there are rules about the level of shareholding and voting rights by individuals, to ensure democratic control, and on interest payments and distribution of trading surpluses, to ensure that the benefits of operation go back to members primarily in proportion to the use made of tbe facilities provided. In Great Britain, co-operatives registered under tbe Industrial and Provident Societies Act are subject to both forms of restriction. Those registered under tbe Companies Act usually observe the second type of discipline, partly by aiming to keep tbeir capital structure in line witb members' actual or potential use of the co-operative. Both types of co-operative, however, conduct their affairs in accordance with the wishes of tbe generality of tbeir membership.

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The directing board are not given a mandate to conduct a commercial enterprise as seems to them best; they have to carry their members with them in any development of policy and often on specific decisions. Because of the non-profit-making character of their activities, they also depend on the membership ultimately for the financial resources of the enterprise; they cannot go to the money market for funds and beyond a point cannot safely operate on borrowed capital. It is therefore essential to the success of a co-operative venture that the members should fully support what they are setting out to do in association. In their relationships with suppliers, co-operative marketing society managers are dealing, not, like the wholesaler, with clients, but with their masters.

6. Some of the agreements between horticultural marketing co-operatives and their members may be registrable under Part I of the Restrictive Trade Practices Act, 1956. It has not been possible to go into this matter in the preparation of the Report, nor predict what view the Restrictive Practices Court might take about the terms of agreements between horticultural co-operatives and their members if they are in fact registrable.

II. CONTRACTS BETWEEN CO-OPERATIVES AND THEIR MEMBERS

7. The "trading" type of co-operative usually writes into its constitution, or has closely associated with its rules of membership, an understanding or formal requirement that all or a known proportion of the members' output will be marketed through the packing station. The members' interest operates in the same direction as that of the co-operative where efficient marketing demands the employment of expensive capital equipment. The co-operative must know how much produce to prepare for, and the member does not normally want to duplicate the equipment to which he has already subscribed. There is thus an obvious community of interest, and contracts between co-operatives and members tend to be self-enforcing. This community of interest does not always obtain in the case of general produce societies, which do not often require or even expect their members to sell all their produce through co-operative channels, but which nevertheless must assert a claim to a good deal of it. They recognise that some members, in order to dispose of produce that the co-operative does not handle, must maintain other trade contacts, who will need a share of the types which the co-operative does sell; that others would leave or grumble if they could not test the prices secured by the co-operative against those obtainable elsewhere; and that, as horticulture is subject to rapid fluctuations in supply, it could be embarrassing rather than an advantage to be committed to handle the whole of all their members' output of annual crops. Such societies regard as valuable members those who send regular supplies of good quality produce, irrespective of prices outside, but they are not concerned to get 100 per cent deliveries or specific tonnages so long as a fair run is sent in.

8. Nevertheless, a horticultural marketing co-operative, as much as any other kind of business, likes to be able to forecast its volume of throughput. Any irregularity of supplies over and above what is necessarily imposed by the vagaries of the weather will lead to the under-employment of staff and equipment from time to time, and so put up costs: coping with sudden rushes of unexpected produce can also put up costs, through overtime working, etc. The

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co-operative also needs continuity in order to make the best arrangements it can with buyers, who naturally want to be able to count on their supplies too, particularly when produce is short, and obviously difficulties arise if the desired regularity at the despatching end of the co-operative is not matched by regularity at the receiving end. Moreover, as contracts with processors and other specialised buyers have become less exceptional than they used to be, co-operatives have, for this reason too, become more conscious of the need for regularity, and thus attach more importance than hitherto to making firm contracts with their own members.

9. Finally, in addition to the practical business advantages to the co-operatives of being able to forecast and count on supplies from growers, there is a more general point that tells in the same direction. If growers are not regularly sending to their societies substantial supplies of good quality produce, then, whether or not they have promised to do so, their loyalty to the society cannot be regarded as firm. If the loyalty of a large proportion of members is open to question, the co-operative cannot flourish.

10. The circumstances that impair the ability of a co-operative to count on the loyalty of its members differ in kind from one co-operative to another; they may differ in degree according to the amount of commercial strength which the co-operative has been able to develop; and they may differ also with the product—for instance, the growers of top fruit more habitually deal with their co-operatives for the main bulk of their output than do the growers of vegetables. Subject to these variations, however, one can generalise by stating the root causes of "disloyalty" under the following heads.

(*a*) In times when produce is short and prices high the grower may be tempted to sell privately to make a quick and higher profit. In these conditions the co-operative will also be making a good return for its producers, but it cannot hope to outbid every buyer who may appear, making offers intending to maintain his own volume of sales when produce is short. To the extent that the co-operatives attach more importance to the establishment of assured outlets with regular customers than to the pursuit of short-term price advantages, they may themselves aggravate this problem. But in the main the problem is one which arises from the conjunction of the great variability in crop yields with the close physical proximity—normal over most of the country—between growers and various types of buyer.

(*b*) It is natural that local wholesalers and retailers, competing with co-operatives and desiring to extend their businesses, should in the ordinary course of business offer terms that may often appear to the growers more attractive than those offered by the co-operatives. This again is to some extent another problem of the co-operatives' own creating. So far as they have widened and strengthened the market for their own members, by developing outlets far afield and turning their territories into exporting areas, they will necessarily have strengthened the local markets as well, so that these can offer better terms to the less attached members of co-operatives.

(*c*) The personal circumstances of some members are such that they may from time to time be tempted to make quick private sales, occasionally of a distress type, to get hold of ready money. By undertaking delivery in person, instead of using the co-operatives' lorries, they may make what

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appears to be a useful profit. But sales of this sort will often take the grower away from his bolding to the detriment of the management of his business; are likely in the end to injure his commercial standing; and certainly go against the interests of his fellow co-operators.

(*d*) When a period of scarcity is followed, as in due course it will be, by a glut, it is all too common that the growers wbo have made these private sales will turn to their co-operative, expecting it to take more of their produce, or all of it, to be unloaded onto an already weak market.

11. As already indicated "trading" co-operatives normally contract with their members. "Non-trading" co-operatives are increasingly doing so because they want to enter into firm commitments with their customers, or at least want to be able to honour general understandings with them. Contracts may in any of these cases provide for stated tonnages or for tbe whole output of specified crops or acreages. They will bind the members to deliver and the co-operative to accept what is specified, but will not affect the relationship between the member and his co-operative in respect of other produce, which it may stand ready to accept in the usual way. There are many such contracts in use and their diversity of form is considerable, according to the number of products they specify, the grades and descriptions, tbe methods of determining the amounts to which tbey relate, the terms on which the co-operative will handle the produce and the action to be taken if either party is in default.

12. One feature of written contracts is that their mere existence is normally an earnest of performance. It is not tbe practice of most members to sign contracts with mental reservations about the circumstances in which they might be prepared to dishonour them. They sign the contract, if convinced that it is to their advantage to do so, and intend that its enforcement provisions sball not, in practice be called upon.

13. However, a majority of reliable members implies a minority who are not. It does not too much reflect on the former to say that if the minority are too unreliable, or too openly and frequently so, the strength and integrity of purpose of the majority may in the end become undermined. The nature and effectiveness of tbe enforcement provisions therefore need to be taken seriously, not least by the co-operative organisations tbemselves, who in the first place stand to lose when default occurs.

14. Taking the matter broadly, there are three types of sanction that might be provided for in contracts to bind a member to his co-operative to deliver stated or ascertainable amounts of produce at stated or ascertainable prices. These are:

(*a*) liability for the damages incurred (simple damages) where the co-operative has been put to loss througb a failure to deliver;

(*b*) agreement on conventional payments to compound the simple damages that might be awarded by a Court (liquidated damages);

(*c*) liability for penal damages, including a payment in the nature of a fine, as well as compensation for damages suffered.

Simple damages are a measure of the actual loss suffered as a result of the default, ascertained after the event. In a straigbtforward case, it might be little

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more than the extra cost of obtaining on the market, probably at higher prices than those in the contract, the quantity of produce the member had failed to supply. If as a result of default the co-operative suffered other losses, such as the cancellation of a contract or damages collected by its customer, the loss might well be assessed at a higher figure, depending on the terms of the contract with the member.

Liquidated damages are a sum agreed upon by the parties, at the time the contract is entered into, as the sum to be paid in the event of a breach of the contract, thereby avoiding the expense of proving the actual amount of the loss. The agreed sum must represent a genuine pre-estimate of the damage resulting from the breach of the contract, and, if accepted as such by the Court, is the only sum recoverable as damages, even though it might be found after the event to be either less or greater than the actual damage. If so much greater that the Court were to hold the agreed damages did not constitute a genuine pre-estimate, they would be regarded as penal damages, and would not be enforced by the Court.

The common law rule of this country is that the Courts will not enforce penal damages. In any case where the Court finds that the damages provided for in the contract are in the nature of a penalty, because they do not represent a genuine pre-estimate of the damage resulting from the breach of contract, the Court will disregard the agreed penalty and will award the plaintiff such damages as he can prove, no more and no less.

15. Nevertheless, there is a body of opinion in this country to the effect that, at all events in the sphere of horticultural co-operative marketing, simple and liquidated damages are an insufficient sanction. Simple damages (so it is said) may be difficult to ascertain; both simple and liquidated damages, being based on no more than the co-operative's loss, can often be less than the grower's profit from selling outside the contract; they may well not be large enough to deter him from repeating the breach. Moreover, neither simple nor liquidated damages can cover all the consequential losses that may follow from the members' disloyalty—*e.g.* its diminished ability to enter into firm contracts with other parties.

16. These arguments are supported by the belief that in other countries, in which co-operation has taken firmer root among horticultural producers than in this country, penal sanctions are lawful and are frequently or regularly employed and are a main cause of that greater success; that disloyalty to a co-operative is a moral offence calling for punishment rather than recovery of losses alone; and that it would be fitting for the Government to intervene, both to help prevent and to express disapproval of such disloyalty, by introducing legislation to authorize the recovery of penal damages. In more detail, this last argument starts, rather paradoxically perhaps, from the position that it is difficult for a co-operative to sue for any kind of damages because of the consequences to itself. The offending member will resign and call for repayment of his capital, which the co-operative might be ill-able to afford; the co-operative will also lose his business; and other members may be affronted or led to fear for themselves. Put shortly, the co-operative is unwilling to risk the consequences of suing for simple or liquidated damages. The case for penal damages therefore is that, if the Government would permit the stronger remedy, that would

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embolden the co-operatives to seek either that or some lesser remedy, and in so doing they would have the moral backing of the Government behind them, as expressed in an Act of Parliament, which would help keep the members in line.

17. The set of arguments in favour of legislation for penal sanctions which alleges the insufficiency, in certain circumstances, of simple or liquidated damages, is possibly the strongest. It could only be by coincidence that the co-operative's loss exactly balanced the grower's "illicit" profit, and the latter will in some instances be the greater. This does not appear in itself a sufficient reason for introducing a system of penal damages, especially when it is remembered that a grower who is made to pay simple or liquidated damages will generally have to pay costs as well. Nevertheless, there could be good reasons for the co-operatives to revise their rules and procedures so that the grower in default suffered other disabilities as well as a liability to pay damages and costs. Section III discusses some of the possibilities.

18. The contention that other countries have built up successful systems of horticultural co-operative marketing on the basis of penal damages appears exaggerated. There are other causes for the undoubted success of the systems operating in Western European countries, and some of these are touched upon in Section V. The enquiries that have been made for the purpose of this Report show that in other countries comparatively little reliance is placed, for securing member compliance, on any kind of civil action, let alone actions for penal damages. It may be that a certain amount of confusion has been caused in this matter by the prevalence of enforcement clauses in contracts abroad—though they are apparently not much more prevalent than here—without regard to the frequency with which those clauses are invoked; and by differences of legal terminology, such that damages that may be described abroad as "penal" turn out on examination to be little different from what we in this country know as "liquidated". Taking all these points together, the arguments from experience abroad look less convincing on examination than they do at first sight.

19. The suggestion that legislation should be introduced to authorize the recovery of penal damages, for the sake of producing a moral effect, is without attraction. To put this suggestion at its best, it is saying in effect that if such legislation were passed, the co-operatives would be emboldened to press for penal damages, and indeed liquidated damages too, because they knew that they had the backing of the Government. But this argument can be regarded as a confession that the co-operatives are unwilling to make use of existing sanctions, because they fear the consequences and cannot carry their members with them. In view of this self-admitted reluctance it is difficult to believe that a lead from the Government would influence them to run these risks. In any event to suppose that the Government would introduce legislation merely for the sake of producing a moral effect could be criticised as mistaking the purpose of the legislative process.

20. Moreover, there would be wider repercussions of the proposed legislation which go still further to rule out this proposal. To enjoin on the Courts that they should award penal damages would require an amendment to the common law. No such change is desired, or has been suggested, for trade and industry as a whole: to make it for horticulture alone would be to put horticulture in a special position, and create awkward problems along the boundaries between

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horticultural and other businesses. To make the change within horticulture but to confine it to horticultural co-operatives would similarly create boundary problems between them and the private merchants and processors, and could give the co-operatives a competitive advantage of a peculiar and arbitrary kind.

21. The conclusion on this must be that the co-operatives should further explore the effect of suing for simple or liquidated damages, together with, in suitable cases, the other sanctions (not involving actions for damage) discussed in Section III. The suggestion that if a co-operative proceeds against an offending member it will forfeit the goodwill of other members would, if true, tell against penal sanctions at least as much as any other kind: but its truth seems doubtful. The point has not been adequately put to the test. No one will ever know how much there is in it until the co-operatives have taken what seems the obvious step of suing for simple or liquidated damages in a reasonable number of suitably selected cases.

22. In view of the dislike of co-operatives for suing their members, whether for simple damages or any other kind, because of the particular nature of court proceedings, they might be well advised to consider whether the arbitration procedure under the Industrial and Provident Societies Act may offer a better alternative for settling disputes. This would generally be a less expensive, more expeditious, and perhaps more friendly type of proceeding. A further suggestion is that where legal advice has not been obtained in the drafting of contracts this should be done in future to make the most effective use of them. A carefully drawn contract should make the rights and duties of the co-operative and its members more fully apparent to both.

III. OTHER MEANS OF SECURING MEMBER "LOYALTY"

23. The conclusions from the previous Section are, on the whole, of a negative character (except for the suggestions made in paras. 21 and 22). This Section goes on to suggest more positive steps that a co-operative can take to secure greater "loyalty" from its members. It discusses various other possibilities of stiffening the sanctions that can be used against the "disloyal". It does so against the background that a co-operative is not an organisation standing apart from its members, but a voluntary one subject to democratic control within the membership. All sanctions are therefore sanctions which a majority of members have to be prepared to use against a non-conforming minority, and this naturally rules out some kinds altogether.

24. One obvious course, employed by almost all societies and clubs, is expulsion. Under the rules of a co-operative constituted under the Industrial and Provident Societies Act, or the articles of association of one constituted under the Companies Act, it is possible to provide that a member shall cease to be one if he has transgressed against a rule or an article. In the former case the co-operative will normally bind itself to repay the capital of the member who is expelled; in the latter case the other members must be prepared to buy his shares.

25. Expulsion can take several forms. For instance, as regards the expelled member's right to trade with the society, he can be excluded altogether, or he

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can be allowed still to send his produce on the basis that the co-operative will accept it only if they want it and can handle it remuneratively. The former is of course the more severe, and for that reason could be expected to have the greater deterrent effect. As regards the repayment of capital, it may be burdensome on the co-operative to have to repay; and that being so, there could be rules and articles that would provide for an offending member to be suspended rather than expelled. While his membership was in suspense, he could not as of right trade with the co-operative, and the co-operative would have the use of his share capital which he would not be allowed to withdraw. Obviously a term would have to be put to any such period of suspension.

26. A still more drastic sanction would be expulsion with forfeiture of share capital. With suitable safeguards this might be a worthwhile method, but it would need to be used with caution since many potential members of a co-operative could be expected, not unreasonably, to consider that joining on those terms was too dangerous. Or alternatively, such a provision would add to the pressures, already too strong, to keep the amount of capital subscribed per member at nominal rather than realistic figures. The charging of a special initial entrance fee which would be subject to forfeit is another idea that could be used in some circumstances.

27. Another possible sanction would be that of imposing a fine. The Industrial and Provident Societies Act allows the fining of members who are in breach of the rules and provides a machinery for enforcing execution. If and when this machinery had to be used, the Courts would doubtless rule against fines of amounts which they considered to be out of proportion to the gravity of the particular offence. On the other hand, if fines were nominal they would presumably be less effective than expulsion. Nevertheless, this sanction would appear to have some utility.

28. All the sanctions so far reviewed must be taken to imply the existence of procedures by which the person to be expelled or fined has a right to state his case, and by which the co-operative's decision will fall to be made by his fellow members or some properly constituted body of them.

29. The next group of possibilities concerns the differentiation of the receipts accruing to members, or charges imposed upon them, the basis of differentiation being their past or present performance.

30. Perhaps the simplest and most logical of these methods is to divide the handling and overhead charges falling on members into two parts. The first would be a standing charge which fell on members whether they did or did not make use of the co-operative's facilities, while the second varied with the use so made. Thus a disloyal member would pay for his disloyalty by incurring charges out of relation to the service he obtained. There are a good many precedents for such two-part arrangements: setting aside for the moment the question of loyalty, they are implicit in all commercial arrangements for charging less per unit for larger quantities than smaller, and for regular transactions than sporadic ones. The analogy seems valid in that the reduced business coming from the disloyal member and its discontinuity are in practice those aspects of disloyalty which bear most directly on the co-operative's commercial success.

31. Moreover, one great attraction of this method is that it can produce the

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effect of a deterrent to disloyalty without necessarily calling for the definition or assessment of this factor, or for the identification of a disloyal member by name. The member would be judged on his performance and not his motives. The chief difficulty seems to be that the standing charge would be difficult to collect from members with small deliveries unless it were levied in advance, i.e. at the beginning of the season—and thus it would have some of the character of a subscription fee.

32. Other systems of differentiation between members could include devices for varying the co-operative's handling and other charges as among members in good standing, and others; allocating the produce of members in good standing to the more remunerative markets; putting this produce first when searching for market outlets; and running the affairs of the co-operative with the aim of earning a visible surplus, and then loading its distribution among the members so as to benefit the more loyal.

33. No doubt further schemes of these kinds could be devised. It is not the ingenuity to invent them that is lacking, but, as it would appear, the wish to do so. Up to the present the co-operatives taken as a whole appear disinclined to use their rules so as to apply rewards and deterrents, and their spokesmen in the Agricultural Central Co-operative Association appear to be thinking almost exclusively in terms of the enforcement, with damages, of contracts relating to specific items of produce.

34. The unwillingness of the co-operatives to proceed far along these lines must command some sympathy. As has already been emphasized, they are democratically constituted; and for a good many members it is not easy to realise that damage to the interests of the co-operative means damage to their own. Again, most of the co-operatives cherish the praiseworthy ambition to increase their turnover and expand their business. They thus tend to look askance at arrangements which would lead more or less automatically to the expulsion of certain members and throwing away their business. Still more important, if some members are to receive higher profits or be charged lower costs, depending on their performance, the returns on which the remainder can count will be diminished. Thus, the managers of the co-operatives will fear that they would be unable to offer some of their members terms as good as they could get from other outlets.

35. However, it well may be that the co-operatives have exaggerated their apprehensions. The demands of some of them for penal damages do not make sense unless they are prepared on occasions to be tough. Some admit that the sporadic nature of the business they do with disloyal members means they make no profit on it, but probably a loss; if so, they would be better off without it. The possibilities of expelling members without necessarily having to repay their capital immediately have been examined, and are not negligible. All things considered, it does not seem that the co-operatives, taken as a group, have sufficiently explored all these possibilities, or sufficiently weighed their advantages.

36. This is not, however, a recommendation to each co-operative to adopt any or all of these methods. Circumstances vary among the co-operatives, and so does the amount of disloyalty they have to contend with. Similarly, the loss of business or arrest of expansion, that would follow from the use of these

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methods, would vary from one co-operative to another, ranging from the negligible to the severe. It is therefore not right to go beyond recommending to the co-operatives that, if they have not yet given systematic study to sanctions other than those related to individual contracts, it would be in their interests to do so. They might also, if they have not so done, seek the advice and guidance of the central co-operative organisations, and arrange meetings of growers for a full discussion of the possibilities.

Business Efficiency

37. Up to this point (in Section II and the first half of this Section) the discussion has centred on ensuring member loyalty by various kinds of sanctions and inducements. There are, however, more effective and more appropriate methods. The horticultural co-operatives are in business; one would not ask of an ordinary firm if it had sufficient means of compelling its customers to trade with it, but whether it were so organised and managed that they were glad to do so. In other words the co-operatives must have a carrot for their members as well as a stick, and the carrot can only be efficient service at competitive cost.

38. Thus the main question to ask about the horticultural co-operatives is on their standards of management. Clearly there is a good deal of variation in these. That the co-operatives have on the whole been expanding suggests that management standards are in general at least adequate, but this does not apply in every instance. There is not any simple and obvious source of recruitment of managers and under-managers, and when a satisfactory man has been engaged and trained, he is all too likely to move on elsewhere, taking with him a type of experience that is likely to be particularly valuable in private trade. If the board of the co-operative seek to enlarge the area of recruitment and retain their best men by paying more, there is a tendency for resistance to develop on the part of the growers. Many of these, particularly in the larger general purpose co-operatives, are themselves in a small way of business, and may be reasonably satisfied with a three figure income. For an efficient manager that would be well below the market rate. It is difficult for the small grower to understand that management is a specialised art, of a market value greater than he himself can command as a grower. In some instances therefore the managers appear underpaid, and while some of the best of them have nevertheless remained with the co-operatives and are by any standards good, the recruitment position is generally unsatisfactory and insecure.

39. Other circumstances that may militate against efficiency and low cost service are out-of-date premises and facilities, faulty routines in the handling of produce, the dispersion of effort and attention over too many types of activity, and a certain lack of clarity in selling policies—which last is discussed in Section V. These are all matters that need attention, with the aim of bringing the standards of all the co-operatives up to the level of the best, so that they will command the loyalty of their members by virtue of satisfaction with the service received.

40. Some of the matters discussed in the last paragraph are within the field of policy covered by the Horticulture Act. The Government are making a substantial practical contribution towards helping the co-operatives achieve higher standards. It is true that the one-third grants being given for the extension

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and improvement of capital equipment, subject to certain conditions, are available also to individual growers who install the same types of equipment. In practice, some modern equipment for horticultural marketing is of such size, capacity or cost that it requires collective or co-operative usage to get sufficient return from the outlay. This is true for instance of a good deal of equipment for washing, grading and storage of produce. These one-third grants can therefore be expected to he of particular value to the co-operatives, and there is already evidence that they are intending to make use of them in a large way.

41. The grants to be made under Section 4 of the Act will also he directed towards improving the operational efficiency of the co-operatives. The Department are expecting to use them, over transitional periods, for meeting part of the costs of obtaining hetter qualified managers, financing the in-service training of managers, promoting organisation and methods and work study developments, and obtaining business consultancy services where needed.

IV. CAPITAL AND CREDIT

42. Representatives of the central co-operative organisations, and of individual co-operatives, have made it clear that they regard lack of capital for the proper running and expansion of co-operative husinesses as one of the more serious handicaps they face. That this should be their view is a healthy sign. It shows that they helieve that new capital invested in horticultural co-operative marketing will yield a sufficient return.

43. If this is so, it will he unfortunate if the co-operatives are unable to secure the capital they need at the going market rates. There may he some truth in this. Many types of ,small husiness are for various reasons ill-placed to secure capital from the market, and the horticultural co-operatives are on the whole relatively small husinesses. Generally there is no easy answer to the problem of providing institutional finance for small businesses, and typically they depend on an intricate network of family capital, loans from relatives, bank finance, trade credit, and so forth. Co-operatives may suffer from the dual disadvantages of being too small to enter the capital market direct and of heing too impersonal to get much advantage from the informal and family sources of finance described ahove. They also suffer the specific disadvantages that they normally declare little or no dividend on share capital and their shares cannot appreciate.

44. If any distinction is to be made hetween the various types of co-operatives, perhaps it would he fair to say that the company type is a little hetter placed to raise share capital, because its memhers themselves tend to he men in a larger way of husiness, who are willing to contrihute to the finance of their co-operative because the only alternative would he increased capital outlay on their own holdings. On the other hand their class of husiness (*e.g.* the storage of top fruit) typically requires more capital per unit of turnover. It can only he marginally true therefore that these company co-operatives have fewer capital problems than the Industrial and Provident Society co-operatives with their typically larger numbers of smaller members and greater varieties of produce handled. Most co-operatives can therefore claim with some justification that they have more useful projects ready to hring forward than the capital to finance them.

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45. Since many of these projects have been, and are, of kinds covered by the Horticulture Act, the Government, with its offer of one-third grants, is doing a good deal to relieve this capital shortage. In respect of these eligible projects—and those eligible include some of the most expensive—the Government are finding one-third of the capital, which is broadly equivalent to offering a concessionary rate of interest (i.e. a one-third abatement) together with a one-third reduction in costs of amortization. Naturally two-thirds of the problem of raising the initial amount remains, and it has been suggested that that is a severe hardship. But, in the Working Party's view, the co-operatives must stand on their own feet, and there seems no reasonable case for further assistance from the Exchequer.

46. In finding the remaining sums it must be presumed that the co-operatives will be giving due consideration to borrowing from building societies and other lenders on mortgage, from the banks, and from the Agricultural Credit Corporation. This last is a company promoted by the National Farmers' Union for guaranteeing bank loans in certain circumstances, and the published list of persons and bodies who may qualify for these guarantees includes co-operatives.

47. Nevertheless it is clear enough that most co-operatives require more share capital as well as loan capital, and they need the former more than the latter. Particularly in the Industrial and Provident Society sector the share capital structure of the co-operatives tends to be under-developed. Some societies permit a minimum shareholding per member as low as £1, even though a considerable volume of the member's produce may be handled. Generally the minima have not been revised sufficiently frequently or substantially to take account of changes in the value of money over the last two decades and the greater range of services which growers nowadays demand from their societies.* It is easy enough to appreciate that proposals by a society's board of management that minimum shareholdings should be doubled or increased fifty per cent may not be at all well received by small growers, to whom £5 or £10 may be an important sum. But equally it is true that they cannot reasonably expect to get more than they are willing to pay for, and if they are to hold their own in a competitive world in which year by year less emphasis falls on hand labour and capital equipment becomes more important, they must face these facts. Boards of management, who should realise also that the individual's interest in the society depends to a large extent on his stake in it, should redouble their efforts in explaining the true state of affairs to the members and take every opportunity of persuading them to raise their contributions.

48. One useful method, which may appear less painful than a direct increase of share capital, is to induce members to leave with the society some of their share of profits or bonuses. It is permissible for a society to have a rule, if it wishes, which allows these to be added compulsorily either to share or loan capital. Another variant—the so-called revolving fund principle—is to impose a levy on all packages, add the proceeds to members' capital, repay this on a rotational basis after some years, and then start again.

* The word "minimum" is used broadly in this paragraph in the sense of the minimum amounts which members are *expected* to subscribe. The circumstances in which an increase in the minimum can be made compulsory for existing members are limited: in effect they amount to putting pressure on members who refuse to pay by withholding (either by virtue of a rule or otherwise) some of the services that the co-operative is equipped to offer. This appears defensible in that the more services it provides, the more share capital it should have.

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49. A further, though minor, handicap suffered by the societies is the limit, at present £500, imposed by the Industrial and Provident Societies Act (as amended) on the *maximum* share capital held by members. Some members of societies already hold the maximum and would be prepared to hold more if permitted. The Government have come to the conclusion that this limit of £500 is obsolete, and that it should be raised to £1,000, and it is noted that they have given a general welcome to a Private Member's Bill to amend the Industrial and Provident Societies Act, 1893, one clause of which would do just this. The Bill had passed the Committee stage in the House of Commons when this report was sent to the printers.

50. Lastly, a brief mention must be made of the wish of some co-operatives to engage in lending to their members, and to enlarge their own capital for that purpose. Reference was made to this matter during the House of Commons debate on the Bill referred to above and the Working Party's point of view, expressed in an interim report, has been adopted, both by the Government and by the Member of Parliament sponsoring the Bill. As a means of attracting member support for the co-operatives the advantages of this are obvious; and in view of the considerable success achieved by agricultural co-operative credit societies in parts of Europe and the U.S.A., no one could say that the aim is misguided. But it is necessary to make a distinction between the society which engages in lending as its main activity (for which the Bill referred to above provides further powers), and that in which it is merely ancillary. Lending as an ancillary function has certain disadvantages. A manager recruited and trained for his ability to market, *e.g.* horticultural produce, cannot be expected to have the special expertise of a banker, and even if he had, this lending would be a distraction from his main task. If the societies feel a pressing need to encourage their members through the granting of credit, the most suitable means would seem to be that of making part pre-payments on produce firmly committed to them under contract by reliable members. This is to some extent done—though not as much as formerly—by private merchants.

V. POSSIBLE IMPROVEMENTS IN ORGANISATION

51. This section considers several subjects falling under this general heading. Among them are (*a*) the balance of emphasis between seeking a continuous market and seeking the best price; (*b*) attracting buyers to the co-operatives' premises by setting up auction halls; (*c*) improving the physical handling of the produce in the collecting and despatching sheds; and (*d*) discouraging "job lots" of produce.

52. As already mentioned, it seems typical of some co-operatives' selling policies that at any given time they are more concerned with finding regular outlets for their produce at reasonable prices than with getting the highest possible prices at any particular moment. Naturally this is only a point of emphasis, but it is an important one, because of the consequences that flow from it. The co-operatives being organised as they so typically are on the basis of accepting almost all the produce that members care to deliver, are naturally much preoccupied with disposing of it, especially when produce generally is

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plentiful. That calls for reasonably firm understandings with buyers: the co-operatives try to keep them supplied when produce is short, and the buyers try to take as much as they can of the co-operatives' produce when it is abundant. Clearly such understandings are valuable. But they may be difficult to reconcile with getting the best price.

53. In other countries in which co-operative marketing of horticultural produce is prevalent, or in some cases almost universal, more emphasis seems to be put on price, and this is done by encouraging the physical presence of buyers, who will bid against each other in an auction. Naturally this system leads to a slightly greater risk that some produce will remain unsold if, because there is a glut, no buyers will bid for it. In the Netherlands this risk almost seems to have been made into a virtue: the surplus is kept off the market so as to strengthen it, and for that purpose the surplus is defined as the produce which does not return at least a certain minimum price. To raise minimum grading standards when produce is abundant tends toward the same result.

54. The system of auction sales has achieved its greatest success in the Netherlands, where it has been highly developed and undoubtedly works with great efficiency. How much of the success of the system there is due to the fact that growers are compelled to market their produce through the auctions and also to other special features of the Dutch horticultural industry, it is difficult to say. There is however evidence that the Dutch auction system is growing rapidly in some other Continental countries, where it is proving an effective and economical method of establishing market prices that reflect more accurately than some other methods of marketing the relationship of supply and demand. To the extent that it achieves this, it reduces the scope for more profitable bargains on sales other than through the co-operatives, and hence the temptation to "disloyalty" among members of horticultural producers' co-operatives.

55. Another feature of the auction system is that a co-operative which makes use of it restricts its functions to what is needed to bring the produce forward to the auction floor in a marketable form. It would cease to be necessary for the manager to put a large part of his efforts into arranging specific sales. This is a proceeding which ties him up for much of the day in telephone calls, and which reacts back on the earlier stages of handling by calling for a great deal of breaking and re-combining of bulk so as to meet the precise requirements of the buyers, and hence for a good deal of paper work to discover whose produce goes where. There is a considerable argument therefore for the auction system as a means by which the co-operative can relinquish these functions, and concentrate on those of collection, assembly, and quality inspection. A good deal more concentration by the co-operatives on quality control is in any case desirable on its own merits.

56. For the auction system to succeed, however, the co-operative supplying the auction must have a sufficient turnover of produce to attract a strong field of buyers. It is possible that some of them have. But there is the chance that the buyers who would attend would not be men in a large way of business, who are typically located in the large centres of population, but only their agents (perhaps lacking authority to buy large quantities or to buy at really high prices) together with local buyers, operating on only a small scale. How far this will be true will depend on, amongst other things, how large a share of the trade the auction system has come to command. If the auction system had reached

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such a stage of development that supplies through other channels had become scanty or unreliable, it would not be possible for the major buyers not to attend or be represented strongly. But at earlier stages of development there would be risks.

57. Auction halls already exist in association with co-operatives in Gloucestershire, Hampshire and Worcestershire. The class and scale of their businesses, and the methods they employ, differ to some extent, as does the competitiveness of auction selling with private treaty selling, in which respect there has been a marked difference of experience, at least between Cheltenham and one of the Worcestershire co-operatives. In no instance do these co-operatives appear to have expanded their auction selling to anything like the extent to which it has expanded in recent years in, for example, Belgium. Nor anywhere in this country is use made of the Dutch system of bidding from a top price downwards, with successive offers recorded visually on a kind of clock, and the sale being made to the first bidder. This method might not be capable of being introduced into an existing auction hall without its enlargement or reconstruction; and it is unlikely that by itself it could decide the success or failure of the system of auctioning. But it is well known that it makes for considerable speed and economy, and the Belgian authorities attribute to it much of their recent success in promoting the auction system.

58. In view of the comparative lack of experience of the auction system in this country, and the undoubted differences between our conditions and those of either Holland or Belgium, it would be going beyond the evidence to recommend any general introduction of the auction system. This is, however, a matter to which the industry itself might give further thought, particularly in relation to any new co-operative that might be set up in the future. An experiment in auction selling, preferably making use of the Dutch method, and undertaken in an area in which there is a concentration of growers who are regular all-the-year-round suppliers, might cast fresh light on the subject, and provide evidence that would be valuable to the Horticultural Marketing Council and to all co-operatives.

Streamlining of Operations

59. The next subjects are so much matters of day-to-day management at the practical level that mention is made of them here only because of their relation to co-operative organisation generally. They are the streamlining of operations on the co-operative's handling floor and arrangements to minimise the need for handling small mixed parcels of produce. They are inter-related problems because it is often the small mixed parcels which clutter up the premises and require special attention, thus impeding efforts to streamline handling. The sorting and the disposal of these small mixed parcels are costly operations as they frequently have to be despatched in loads too small to justify the expense of movement and the extra paper work involved. It is the general purpose co-operatives, with their many members producing a wide variety of produce which most often come up against this problem and suffer from the resulting inefficiency and high costs of handling. Much can be done to avoid it by encouragement to growers to recognise that a common policy of production is to the benefit of all and that it is in their own interests to accept guidance from their co-operative about the commodities, and the varieties of those commodities

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which are the most readily marketable and on which it is therefore advisable for them to concentrate their production. If a co-operative can succeed in persuading its members to plan their production on these lines, the produce coming in is not in quite such small parcels and is more readily built up into economic loads. One further cause of fragmentation—which ties up with what has been said about the merits of auctions—is that direct selling seems often to result in the buyer specifying his requirements in too great detail, and calling for too much variety. A second is that if receipts are not pooled among growers it is common for each to have his offerings sub-divided so as to give him a share of the better markets.

60. Completely to eliminate odd lots and excessive fragmentation would mean much greater changes in the purpose, nature and membership of these co-operatives than anyone would wish to see. Even in the interests of the greatest degree of efficiency, it would be wrong to deny participation to very small growers whose offerings are bound to be in small units on any one day. But it seems desirable to give some discouragement to small lots. Probably the most suitable means would be to determine the minimum handling charges per unit at rather higher levels than now prevail. This would incidentally increase the profits of the co-operatives on that part of their activities at present most likely to result in losses. Further, where the co-operative is conducting a class of trade that pretty well confines it to a certain range of commodities, well-known to its members, offerings outside that range should either be refused or be subjected to minimum handling charges at a higher level. These changes might cause an outcry at first, but if applied gradually and with moderation it does not seem out of the question that the growers affected should be able to adapt themselves to the change. Certainly it should be to the advantage of the majority, whose net receipts might be significantly increased.

Non-returnable Containers

61. A further aspect of the efficient organisation of the physical handling of produce is the type of container used. The returnable containers most commonly used in the horticultural trades (or the primary stages of them) have the advantage of being robust and durable, and the disadvantage of having to be handled back to the growers. More attention is accordingly being given in the trade to the case for using non-returnable containers, at least for some commodities, partly because wage costs are now higher in relation to costs of packaging material, and partly because new types of material have become available, especially over the last five years. Several co-operatives have expressed the view that it would, in present circumstances, make for greater all-round efficiency if non-returnables could be used for a greater part of the produce. A main obstacle to this is the capital loss resulting from the redundancy of the former stock of returnable containers. Another is the initial, though transitional, cost of acquiring a stock of non-returnables.

62. The unwillingness of many members of co-operatives to bear their share of this cost, by increasing their capital in the co-operative, is an example of the general reluctance to contribute more, which was dealt with in para. 47. Perhaps it would be possible for co-operatives to make arrangements with their members which in some way matched the availability of services based on non-returnables to capital contributions in respect of them. It is understood that

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this general principle has been accepted in other countries—*e.g.* cold storage facilities are sometimes reserved for members who have made a capital contribution to their cost and the same principle would seem to apply to the provision of non-returnable containers.

Grading and Quality Control

63. The changes discussed in the previous paragraphs could be combined with putting greater emphasis on grading and control of quality of produce. Some kinds of produce can most effectively and economically be graded at the co-operatives' own premises and by their own staffs; often, however, it is more economical for the growers to grade their own, subject to subsequent inspection on arrival. In either case it seems clear that one of the most promising lines of development for co-operatives to pursue is to persuade or require members to grade an increasing proportion of their produce, and do so to rising standards. Existing practice and performance of co-operatives in these respects are variable. It will be in line with the general trend of market developments—which co-operatives and their members cannot afford to ignore—to raise standards all round, since it is plain that the market is becoming increasingly intolerant of low quality produce and mixed consignments of good and bad. Co-operatives, if they so wish, are particularly well placed to meet this changing need. They can install some kinds of grading equipment that are too expensive for the individual, and are already so organised that systems of quality control can be introduced, or where already in being, tightened up. In most cases this tighter grading would not only raise market returns but also keep down handling costs, because it should contribute to the elimination of uneconomically small and sporadic consignments. Gradually, moreover, tighter grading standards could be expected to influence growers in the direction of specialisation and concentration of output, so as to make sure of achieving the required standards, and this too would react favourably to the co-operatives' handling and marketing efficiency.

VI. CONCLUSIONS

64. Main attention has been given in this report to the issue of empowering the Courts to award penal damages against disloyal members of co-operatives. But while this subject formed the starting-point for the review on which the report is based, the conclusion has been reached that it is a less important matter than it originally appeared to be. The Government have been urged to provide additional powers and sanctions for co-operatives, but what is required is not so much new powers as a changed climate of opinion among growers themselves in their relations with their co-operatives. What is wanted is the building up of greater loyalty, based primarily on efficiency of operation, and on the effective use of the already substantial powers which co-operatives can call to aid under existing legislation and the common law.

65. These existing powers include in the first place the right, which the co-operatives possess in common with anyone else who has suffered from a breach of contract, to claim simple or liquidated damages, and if need be, to sue for these damages plus costs. At present the co-operatives rarely make use of these powers (Section II, paras. 14–22). Secondly, the co-operatives can make

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use of powers already included in their rules and articles, or which could easily be added thereto, to take disciplinary action by way of suspension, expulsion or fine, or to operate some one of several possible forms of discrimination among loyal and less loyal members (Section III, paras. 23–36).

66. Still more important, and more constructive, the co-operatives have opportunities open to them to attract firmer member support by greater efficiency of operation. A high standard of management is one of the keys to greater efficiency and this in turn will depend on establishing surer sources of recruitment and training for managers. Naturally the level of remuneration is a factor in this and, under the Horticulture Act, contributions are being made by the Government towards the cost of improving managerial standards. Moreover, as a general rule, the services of the existing managers could be used more effectively if the co-operatives were prepared to pay more attention to concentrating their effort on fewer types of activity, and to discouraging growers from producing and offering odd lots of produce (Section III, paras. 37–41).

67. The individual members of co-operatives can also be reasonably expected to do more to help, not only by changing their attitudes to their co-operatives so as to become more reliable sources of supply, but also by providing them with more capital. Both the minimum and average amounts of share capital are too low to enable the co-operatives to keep abreast of the times. The Government have accepted some responsibility in this field by making moneys available under the Horticulture Act, 1960. If the Bill at present before Parliament is passed, co-operatives registered under the Industrial and Provident Societies Act will be in a position to raise the ceiling on share capital of individual members in the fairly near future (Section IV, paras. 42–50).

68. Horticultural marketing interests might also find it worthwhile to consider the advantages of some system of auctioning produce along the lines of the Dutch auction system. The success this has achieved in its native country is generally known. It is less generally known that it is spreading elsewhere on the Continent. Not only has the Dutch system much to commend itself on its own account, but it stands in sharp contrast to the practice, not uncommon at present among our horticultural co-operatives, of putting much of their effort into arranging specific sales in great detail as to kind, quality and amount, and hence excessive labour in negotiating and recording transactions. The development of an auction system would release the co-operatives to undertake in fuller measure the more constructive task of controlling the quality and standardising the types and grades of produce they handle (Section V, paras. 52–58).

69. At present the co-operatives and their spokesmen are inclined to complain that they have insufficient means of compelling their members to trade with them. The object of the changes discussed would be to improve the organisation and management of the co-operatives so that the question of compulsion would no longer arise (Section V, paras. 59–63).

70. This report is critical of certain aspects of the methods and arrangements of co-operatives. But it is not intended to imply that there is little in them to praise. On the contrary, the existing co-operatives were created to meet real needs and on the whole are meeting them quite well. That co-operative marketing

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in horticulture has increased substantially over the last twenty or thirty years, and is still growing, is in itself a tribute to those who had the vision to realise the need for co-operation amongst scattered horticultural producers and who established and subsequently guided the societies. But at this juncture many of the co-operatives themselves have realised the need for the kind of general stock-taking that is attempted in this report, and for asking questions about the right lines for future advance. The report has, therefore, not been confined to the narrow issue of penal damages and has drawn attention to broader and more constructive possibilities.

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APPENDIX A

Composition of the Departmental Working Party

Nearly all the evidence had been received and considered by the Working Party, and the Report had reached an advanced stage, during the period when Mr. Godber was Chairman.

Mr. Joseph Godber, M.P. (Chairman 24.2.60–28.10.60)

Earl Waldegrave (Chairman from 29.10.60)

Mr. H. Hardman, C.B. (24.2.60–23.5.60)

Professor H. G. Sanders, M.A., PH.D.

Mr. C. S. Davis, C.B., M.A.

Mr. F. Hollins, C.B.

Mr. J. H. Kirk, C.B.E.

Miss U. C. C. Padel (from 27.5.60)

Mr. C. E. Pearson, O.B.E., N.D.A.

Miss I. O. H. Lepper (Secretary 24.2.60–7.11.60)

Mr. A. L. Irving, O.B.E. (Secretary from 8.11.60)

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Persons and Organisations giving Evidence and Assistance

1. The following organisations and individuals gave oral and written evidence:

Agricultural Central Co-operative Association Ltd.

P. R. Dodds, Esq., B.A.
E. Hartley, Esq.
Alderman F. T. Hussey, O.B.E., J.P.
G. H. Roberts, Esq.
L. V. W. Smith, Esq.

Central Packhouse Association

R. G. How, Esq.
E. K. Martin, Esq.
F. C. Penney, Esq.

National Farmers' Union

E. H. Gardener, Esq., C.B.E.
H. R. Haynes Esq.
J. E. Whittome, Esq.

Land Settlement Association Ltd.

Jocelyn Gibb, Esq., M.A.
D. V. Ingram, Esq., N.D.H.
R. J. P. Simonds, Esq.

National Association of British Market Authorities

Alderman C. F. Bowmer, J.P.
Alderman H. Buckborough
F. E. Gadd, Esq.
Alderman W. G. Ingham
P. J. Moss, Esq.
B. J. Surridge, Esq., C.M.G., O.B.E.

2. The following Government Departments gave oral evidence:

Office of the Registrar of Restrictive Trading Agreements

G. V. Rogers, Esq.

Registry of Friendly Societies

A. Vollmar, Esq.

3. The following individuals gave oral evidence:

G. R. Allen, Esq., M.A.
Sir Frederick Brundrett, K.C.B., K.B.E.
J. Candia, Esq., F.C.I.S.
Miss M. Digby, O.B.E.
Dr. E. B. Fekete
L. van Geest, Esq.
J. P. T. Hopwood, Esq.
T. G. Underhill, Esq.

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4. The following organisations gave written evidence:

British Flower Industry Association

Welsh Agricultural Organisation Society Ltd.

5. Information on the use of contracts was provided by:

Batchelors Foods Ltd.

Beecham Foods Ltd.

Messrs. Smedleys Ltd.

Food Manufacturers' Federation Incorporated on behalf of:

Messrs. Crosse and Blackwell Ltd.

Messrs. H. J. Heinz Company Ltd.

Norfolk Canneries Ltd.

Messrs. James Robertson and Sons Ltd.

6. Information on overseas practice was provided by:

Embassies in the United Kingdom for:

Belgium

Denmark

France

The Netherlands

United States of America

The Department of Agriculture, Canada

The Department's overseas representatives in:

Australia

Canada

Denmark and The Netherlands

New Zealand

7. Other information and advice were provided by:

L. K. Elmhirst, Esq., M.A., B.SC.

J. E. B. Hill, Esq., M.A., M.P.

C. P. Norbury, Esq.

8. Visits were made to:

Belgium, France and Western Germany, where members of the Working Party had discussions with representatives of Governments and central co-operative organisations, and visited horticultural marketing co-operatives.

East Sussex Growers Ltd.

Littleton and Badsey Growers Ltd.

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APPENDIX B

Information on main Horticultural Marketing Co-operatives in England and Wales

This is a list of the more prominent co-operatives handling horticultural produce. They are generally referred to as horticultural co-operatives but are not necessarily "co-operative associations" as defined under Section 8 (4) of the Horticulture Act.

1. Registered under the Industrial and Provident Societies Act, 1893

Date of Formation	Name	1959 Membership	Sales of Horticultural Produce	Principal Activity
			£	
1949	Cambridgeshire Growers Ltd., Longstanton, Cambridge.	337	120,474	Markets all types of produce; pre-packs potatoes.
1904	Eastern Counties Farmers Ltd., Ipswich, Suffolk. (Horticultural Section only)	..	122,182	Markets peas for canning.
1945	East Sussex Growers Ltd., Polegate, Sussex.	1,031	337,661	Markets all types of produce. Grades and packs tomatoes, apples and pears.
1944	Farmers & Growers Industries Ltd., Worthing, Sussex.	496	363,368	Grades, packs and markets tomatoes, apples and mushrooms.
1918	Gloucestershire Marketing Soc. Ltd., Cheltenham, Glos.	667	289,897	Markets all types of produce by auction.
1946	Hampshire Growers Ltd., Shedfield, Southampton, Hants.	682	97,987	Conducts auction sales for all produce. Pre-packs potatoes.
1908	Littleton & Badsey Growers Ltd., Badsey, Nr. Evesham, Worcs.	1,396	295,937	Markets all types of produce.
1960	Mid - Suffolk Growers Ltd., Church Farm, Stonham, Suffolk.	—	—	New society formed to pack and market top fruit.
1926	Norfolk Fruit Growers Ltd., Wroxham, Norfolk.	563	367,998	Markets all varieties of fruit.
1947	Nursery Trades (Lea Valley) Ltd., Turners Hill, Cheshunt, Herts.	510	584,260	Markets tomatoes and cucumbers.
1909	Pershore Growers Co-operative Ltd., Pershore, Worcs.	559	373,653	Markets all types of produce by auction and private treaty.
1941	Sandwich & District Growers Ltd., Canterbury, Kent.	292	154,996	Markets all types of produce. Grades and packs apples and pears.
1954	Top Fruit Ltd., Much Birch, Herefordshire.	7	49,932	Markets apples and pears under "T.F." label.
1920	Worcestershire Farmers Ltd., Worcester. (Horticultural Section only)	..	289,112	Sells all types of produce by auction and private treaty.

.. not available

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2. Registered under Companies Act

Date of Formation	Name	1959 Membership	Sales of Horticultural Produce	Principal Activity
			£	
1948	Ace Fruit Ltd., Chelmsford, Essex.	31	183,722	Grades, packs and markets apples and pears.
1942	Aldhams (Lawford) Ltd., Colchester, Essex.	6	120,173	Markets apples and pears.
1938	Apple Growers' Association (West Kent) Ltd., Horsmonden, Tonbridge, Kent.	29	116,516	Grades, packs and markets apples and pears.
1958	Checkers Ltd., Head Office, Horsmonden, Tonbridge, Kent.	30	204,360	Grades, packs and markets apples and pears.
1947	East Kent Packers Ltd., Faversham, Kent.	40	1,046,694	Cold stores, grades, packs and sells fruit and vegetables.
1958	Kent Apple & Pear Marketing Organisation Ltd., Paddock Wood, Nr. Tonbridge, Kent.	27	360,000	Grades, packs and markets apples and pears. Markets soft fruit.
1929	Kirdford Growers Ltd., Kirdford, Billingshurst, Sussex.	11	137,000	Grades, packs and markets apples and pears.
1939	Waveney Apple Growers Ltd., Aldeby, Beccles, Suffolk.	51	343,000	Grades, packs and markets apples and pears. Markets soft fruit.

Notes

1. There are a number of other societies handling local horticultural produce on a smaller scale including two in Wales.
2. Figures for I. and P. Societies have been extracted by the Agricultural Central Co-operative Association from Returns made to the Registrar of Friendly Societies for the year ended 31st March, 1960. Figures quoted for co-operatives registered under the Companies Act have, except in the case of Aldhams (Lawford) Ltd., been provided by the Central Packhouse Association, and generally relate to 1959–60 financial years. Sales figures include members' and non-members' produce and, exceptionally, quantities of imported produce (although where possible such sales have been excluded).

Printed in England under the Authority of Her Majesty's Stationery Office
by McCorquodale & Co. Ltd., London S.E.
Wt. 4939 K40 3/61 Gp. 999/225

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